

OIL AND GAS LEASE

FILED

MAR 23 2011

THIS AGREEMENT, made and entered into this 7th day of July, 2009, by and between Venice N. Mecham, a widow, whose post office address 3310 W 500 S, Vernal, Utah 84078, hereinafter called Lessor (whether one or more) and Paul M. Lehrman, a single man, whose post office address is Post Office Box 2329, Farmington, New Mexico 87499, hereinafter called Lessee.

SECRETARY, BOARD OF
OIL, GAS & MINING

WITNESSETH, That the Lessor, for and in consideration of Ten and more (\$10.00 & more) DOLLARS, cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing there from oil and all gas of whatsoever nature or kind, including coalbed methane gas, along with rights of way and easements for laying pipe lines, building of roads and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Duchesne, State of Utah, described as follows, to-wit:

Township 5 South, Range 4 West, U.S.M.
Section 10: NW/4SW/4, S/2SW/4, SW/4SE/4

and containing 160.00 acres, more or less.

Ent 417373 Bk M335 Pg 621
Date: 31-JUL-2009 8:46AM
Fee: \$12.00 Check
Filed By: CBM
CAROLYNE MADSEN, Recorder
DUCHESE COUNTY CORPORATION
For: PAUL LEHRMAN

1. It is agreed that this lease shall remain in force for a term of five (5) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force as long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal one-sixth (1/6) part of all oil produced and saved from the leased premises.

2nd. To pay Lessor one-sixth (1/6) of the gross proceeds each year, payable annually, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of one-sixth (1/6), payable monthly at the prevailing market rate for gas.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-sixth (1/6) of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded documents and other information necessary to establish a complete chain of record title from Lessor, than then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in the Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has therefore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit so pooled royalties only in the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development

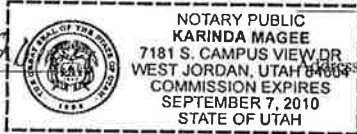
STATE OF Utah
COUNTY OF Uintah }

Acknowledgment - Individual(s)

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 20 day of July, 2009, personally appeared Venice N. Mecham to me known to be the identical person described in and who executed the within and foregoing instrument of writing and acknowledged to me that she duly executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed by notarial seal the day and year last above written.

My commission expires:

Sept. 7, 2010

Karinda Magee
801 W. Hwy. 40
Vernal, UT 84078

STATE OF _____
COUNTY OF _____ }

Acknowledgment - Partnership/Trust)

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____, 20____, personally appeared _____ as _____ of _____ to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that _____ duly executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed by notarial seal the day and year last above written.

My commission expires:

Address: _____

STATE OF _____
COUNTY OF _____ }

Acknowledgment - Corporation

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this day personally appeared _____ to me personally known who by me duly sworn did say that he is the _____ of _____ and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors who acknowledge said instrument to be the free act and deed of said corporation.

Sworn to and subscribed before me this _____ day of _____, 20____.

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING


FORM 3

AMENDED REPORT ☒

APPLICATION FOR PERMIT TO DRILL				1. WELL NAME and NUMBER SFW FEE 15-10-54		
2. TYPE OF WORK DRILL NEW WELL <input checked="" type="checkbox"/> REENTER P&A WELL <input type="checkbox"/> DEEPEN WELL <input type="checkbox"/>				3. FIELD OR WILDCAT BRUNDAGE CANYON		
4. TYPE OF WELL Oil Well Coalbed Methane Well: NO				5. UNIT or COMMUNITIZATION AGREEMENT NAME		
6. NAME OF OPERATOR BERRY PETROLEUM COMPANY				7. OPERATOR PHONE 303 999-4044		
8. ADDRESS OF OPERATOR 4000 South 4028 West Rt 2 Box 7735, Roosevelt, UT, 84066				9. OPERATOR E-MAIL kao@bry.com		
10. MINERAL LEASE NUMBER (FEDERAL, INDIAN, OR STATE) FEE		11. MINERAL OWNERSHIP FEDERAL <input type="checkbox"/> INDIAN <input type="checkbox"/> STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>		12. SURFACE OWNERSHIP FEDERAL <input type="checkbox"/> INDIAN <input type="checkbox"/> STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>		
13. NAME OF SURFACE OWNER (if box 12 = 'fee') SPORTSMEN FOR FISH & WILDLIFE				14. SURFACE OWNER PHONE (if box 12 = 'fee') 801-725-8526		
15. ADDRESS OF SURFACE OWNER (if box 12 = 'fee') 626 COTTONWOOD DRIVE, SOUTH WEBER, UT 84405				16. SURFACE OWNER E-MAIL (if box 12 = 'fee')		
17. INDIAN ALLOTTEE OR TRIBE NAME (if box 12 = 'INDIAN')		18. INTEND TO COMMINGLE PRODUCTION FROM MULTIPLE FORMATIONS YES <input type="checkbox"/> (Submit Commingling Application) NO <input checked="" type="checkbox"/>		19. SLANT VERTICAL <input checked="" type="checkbox"/> DIRECTIONAL <input type="checkbox"/> HORIZONTAL <input type="checkbox"/>		
20. LOCATION OF WELL	FOOTAGES	QTR-QTR	SECTION	TOWNSHIP	RANGE	MERIDIAN
LOCATION AT SURFACE	663 FSL 2060 FEL	SWSE	10	5.0 S	4.0 W	U
Top of Uppermost Producing Zone	663 FSL 2060 FEL	SWSE	10	5.0 S	4.0 W	U
At Total Depth	663 FSL 2060 FEL	SWSE	10	5.0 S	4.0 W	U
21. COUNTY DUCHESNE		22. DISTANCE TO NEAREST LEASE LINE (Feet) 663		23. NUMBER OF ACRES IN DRILLING UNIT 640		
		25. DISTANCE TO NEAREST WELL IN SAME POOL (Applied For Drilling or Completed) 4100		26. PROPOSED DEPTH MD: 5976 TVD: 5976		
27. ELEVATION - GROUND LEVEL 6010		28. BOND NUMBER RLB0005651		29. SOURCE OF DRILLING WATER / WATER RIGHTS APPROVAL NUMBER IF APPLICABLE 431723		

ATTACHMENTS

VERIFY THE FOLLOWING ARE ATTACHED IN ACCORDANCE WITH THE UTAH OIL AND GAS CONSERVATION GENERAL RULES

<input checked="" type="checkbox"/> WELL PLAT OR MAP PREPARED BY LICENSED SURVEYOR OR ENGINEER	<input checked="" type="checkbox"/> COMPLETE DRILLING PLAN
<input checked="" type="checkbox"/> AFFIDAVIT OF STATUS OF SURFACE OWNER AGREEMENT (IF FEE SURFACE)	<input type="checkbox"/> FORM 5. IF OPERATOR IS OTHER THAN THE LEASE OWNER
<input type="checkbox"/> DIRECTIONAL SURVEY PLAN (IF DIRECTIONALLY OR HORIZONTALLY DRILLED)	<input checked="" type="checkbox"/> TOPOGRAPHICAL MAP
NAME Shelley E. Crozier	TITLE Regulatory & Permitting Specialist
SIGNATURE	DATE 02/04/2010
API NUMBER ASSIGNED 43013502470000	APPROVAL  Permit Manager
PHONE 435 722-1325	
EMAIL sec@bry.com	



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Permit To Drill

Well Name: SFW FEE 15-10-54
API Well Number: 43013502470000
Lease Number: FEE
Surface Owner: FEE (PRIVATE)
Approval Date: 3/16/2010

Issued to:

BERRY PETROLEUM COMPANY, 4000 South 4028 West Rt 2 Box 7735, Roosevelt, UT 84066

Authority:

Pursuant to Utah Code Ann. §40-6-1 et seq., and Utah Administrative Code R649-3-1 et seq., the Utah Division of Oil, Gas and Mining issues conditions of approval, and permit to drill the listed well. This permit is issued in accordance with the requirements of R649-3-2. The expected producing formation or pool is the GREEN RIVER Formation(s), completion into any other zones will require filing a Sundry Notice (Form 9). Completion and commingling of more than one pool will require approval in accordance with R649-3-22.

Duration:

This approval shall expire one year from the above date unless substantial and continuous operation is underway, or a request for extension is made prior to the expiration date

General:

Compliance with the requirements of Utah Admin. R. 649-1 et seq., the Oil and Gas Conservation General Rules, and the applicable terms and provisions of the approved Application for permit to drill.

Conditions of Approval:

This proposed well is located in an area for which drilling units (well spacing patterns) have not been established through an order of the Board of Oil, Gas and Mining (the "Board"). In order to avoid the possibility of waste or injury to correlative rights, the operator is requested, once the well has been drilled, completed, and has produced, to analyze geological and engineering data generated therefrom, as well as any similar data from surrounding areas if available. As soon as is practicable after completion of its analysis, and if the analysis suggests an area larger than the quarter-quarter section upon which the well is located is being drained, the operator is requested to seek an appropriate order from the Board establishing drilling and spacing units in conformance with such analysis by filing a Request for Agency Action with the Board.

Compliance with the Conditions of Approval/Application for Permit to Drill outlined in the Statement of Basis (copy attached).

Cement volumes for the 5 1/2" and 8 5/8" casing strings shall be determined from actual hole diameters in order to place cement from the pipe setting depths back to the surface.

Additional Approvals:

The operator is required to obtain approval from the Division of Oil, Gas and mining before

*

performing any of the following actions during the drilling of this well:

- Any changes to the approved drilling plan – contact Dustin Doucet
- Significant plug back of the well – contact Dustin Doucet
- Plug and abandonment of the well – contact Dustin Doucet

Notification Requirements:

The operator is required to notify the Division of Oil, Gas and Mining of the following actions during drilling of this well:

- Within 24 hours following the spudding of the well – contact Carol Daniels
OR
submit an electronic sundry notice (pre-registration required) via the Utah Oil & Gas website at <https://oilgas.ogm.utah.gov>
- 24 hours prior to testing blowout prevention equipment - contact Dan Jarvis
- 24 hours prior to cementing or testing casing – contact Dan Jarvis
- Within 24 hours of making any emergency changes to the approved drilling program – contact Dustin Doucet
- 24 hours prior to commencing operations to plug and abandon the well – contact Dan Jarvis

Contact Information:

The following are Division of Oil, Gas and Mining contacts and their telephone numbers (please leave a voicemail message if the person is not available to take the call):

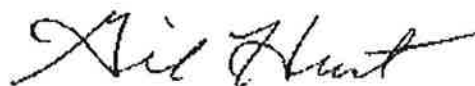
- Carol Daniels 801-538-5284 - office
- Dustin Doucet 801-538-5281 - office
801-733-0983 - after office hours
- Dan Jarvis 801-538-5338 - office
801-231-8956 - after office hours

Reporting Requirements:

All reports, forms and submittals as required by the Utah Oil and Gas Conservation General Rules will be promptly filed with the Division of Oil, Gas and Mining, including but not limited to:

- Entity Action Form (Form 6) – due within 5 days of spudding the well
- Monthly Status Report (Form 9) – due by 5th day of the following calendar month
- Requests to Change Plans (Form 9) – due prior to implementation
- Written Notice of Emergency Changes (Form 9) – due within 5 days
- Notice of Operations Suspension or Resumption (Form 9) – due prior to implementation
- Report of Water Encountered (Form 7) – due within 30 days after completion
- Well Completion Report (Form 8) – due within 30 days after completion or plugging

Approved By:



Gil Hunt
Associate Director, Oil & Gas

Title/Chapter/Section: Go To Utah CodeTitle 40 Mines and MiningChapter 6 Board and Division of Oil, Gas, and Mining**Section 2 Definitions.****40-6-2. Definitions.**

For the purpose of this chapter:

- (1) "Board" means the Board of Oil, Gas, and Mining.
- (2) "Correlative rights" means the opportunity of each owner in a pool to produce his just and equitable share of the oil and gas in the pool without waste.
- (3) "Condensate" means hydrocarbons, regardless of gravity, that:
 - (a) occur naturally in the gaseous phase in the reservoir; and
 - (b) are separated from the natural gas as liquids through the process of condensation either in the reservoir, in the wellbore, or at the surface in field separators.
- (4) "Consenting owner" means an owner who consents in advance to the drilling and operation of a well and agrees to bear his proportionate share of the costs of the drilling and operation of the well. *
- (5) "Crude oil" means hydrocarbons, regardless of gravity, that:
 - (a) occur naturally in the liquid phase in the reservoir; and
 - (b) are produced and recovered at the wellhead in liquid form.
- (6) (a) "Gas" means natural gas, as defined in Subsection (9), natural gas liquids, as defined in Subsection (10), other gas, as defined in Subsection (14), or any mixture of them.
- (b) "Gas" does not include any gaseous or liquid substance processed from coal, oil shale, or tar sands.
- (7) "Illegal oil" or "illegal gas" means oil or gas that has been produced from any well within the state in violation of this chapter or any rule or order of the board.
- (8) "Illegal product" means any product derived in whole or in part from illegal oil or illegal gas.
- (9) (a) "Natural gas" means hydrocarbons that occur naturally in the gaseous phase in the reservoir and are produced and recovered at the wellhead in gaseous form, except natural gas liquids as defined in Subsection (10) and condensate as defined in Subsection (3).
- (b) "Natural gas" includes coalbed methane gas.
- (10) "Natural gas liquids" means hydrocarbons, regardless of gravity, that are separated from natural gas as liquids in gas processing plants through the process of condensation, absorption, adsorption, or other methods.
- (11) "Nonconsenting owner" means an owner who after written notice does not consent in advance to the drilling and operation of a well or agree to bear his proportionate share of the costs. *
- (12) (a) "Oil" means crude oil, as defined in Subsection (5), condensate, as defined in Subsection (3), or any mixture of them.
- (b) "Oil" does not include any gaseous or liquid substance processed from coal, oil shale, or tar sands.
- (13) (a) "Oil and gas proceeds" means any payment that:
 - (i) derives from oil and gas production from any well located in the state;
 - (ii) is expressed as a right to a specified interest in the:
 - (A) cash proceeds received from the sale of the oil and gas; or
 - (B) the cash value of the oil and gas; and
 - (iii) is subject to any tax withheld from the payment pursuant to law.

(b) "Oil and gas proceeds" includes a royalty interest, overriding royalty interest, production payment interest, or working interest.

(c) "Oil and gas proceeds" does not include a net profits interest or other interest the extent of which cannot be determined with reference to a specified share of:

- (i) the cash proceeds received from the sale of the oil and gas; or
- (ii) the cash value of the oil and gas.

(14) (a) "Other gas" means nonhydrocarbon gases that:

- (i) occur naturally in the gaseous phase in the reservoir; or
- (ii) are injected into the reservoir in connection with pressure maintenance, gas cycling, or other secondary or enhanced recovery projects.

(b) "Other gas" includes hydrogen sulfide, carbon dioxide, helium, and nitrogen.

(15) "Owner" means the person who has the right:

- (a) to drill into and produce from a reservoir; and
- (b) appropriate the oil and gas produced for himself or for himself and others.

(16) "Operator" means the person who has been designated by the owners or the board to operate a well or unit.

(17) "Payor" means the person who undertakes to distribute oil and gas proceeds to the persons entitled to them, whether as the first purchaser of that production, as operator of the well from which the production was obtained, or as lessee under the lease on which royalty is due.

(18) "Pool" means an underground reservoir containing a common accumulation of oil or gas or both. Each zone of a general structure that is completely separated from any other zone in the structure is a separate pool. "Common source of supply" and "reservoir" are synonymous with "pool."

(19) "Pooling" means the bringing together of separately owned interests for the common development and operation of a drilling unit.

(20) "Producer" means the owner or operator of a well capable of producing oil and gas.

(21) "Product" means any commodity made from oil and gas.

(22) "Waste" means:

(a) the inefficient, excessive, or improper use or the unnecessary dissipation of oil or gas or reservoir energy;

(b) the inefficient storing of oil or gas;

(c) the locating, drilling, equipping, operating, or producing of any oil or gas well in a manner that causes:

(i) a reduction in the quantity of oil or gas ultimately recoverable from a reservoir under prudent and economical operations;

(ii) unnecessary wells to be drilled; or

(iii) the loss or destruction of oil or gas either at the surface or subsurface; or

(d) the production of oil or gas in excess of:

(i) transportation or storage facilities; or

(ii) the amount reasonably required to be produced as a result of the proper drilling, completing, testing, or operating of a well or otherwise utilized on the lease from which it is produced.

Amended by Chapter 344, 2009 General Session

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Title/Chapter/Section: Go To Utah CodeTitle 40 Mines and MiningChapter 6 Board and Division of Oil, Gas, and Mining

Section 6.5 Pooling of interests for the development and operation of a drilling unit -- Board may order pooling of interests -- Payment of costs and royalty interests -- Monthly accounting.

40-6-6.5. Pooling of interests for the development and operation of a drilling unit -- Board may order pooling of interests -- Payment of costs and royalty interests -- Monthly accounting.

(1) Two or more owners within a drilling unit may bring together their interests for the development and operation of the drilling unit.

(2) (a) In the absence of a written agreement for pooling, the board may enter an order pooling all interests in the drilling unit for the development and operation of the drilling unit.

(b) The order shall be made upon terms and conditions that are just and reasonable.

(c) The board may adopt terms appearing in an operating agreement:

(i) for the drilling unit that is in effect between the consenting owners;

(ii) submitted by any party to the proceeding; or

(iii) submitted by its own motion.

(3) (a) Operations incident to the drilling of a well upon any portion of a drilling unit covered by a pooling order shall be deemed for all purposes to be the conduct of the operations upon each separately owned tract in the drilling unit by the several owners.

(b) The portion of the production allocated or applicable to a separately owned tract included in a drilling unit covered by a pooling order shall, when produced, be deemed for all purposes to have been produced from that tract by a well drilled on it.

(4) (a) (i) Each pooling order shall provide for the payment of just and reasonable costs incurred in the drilling and operating of the drilling unit including, but not limited to:

(A) the costs of drilling, completing, equipping, producing, gathering, transporting, processing, marketing, and storage facilities;

(B) reasonable charges for the administration and supervision of operations; and

(C) other costs customarily incurred in the industry.

(ii) An owner is not liable under a pooling order for costs or losses resulting from the gross negligence or willful misconduct of the operator.

(b) Each pooling order shall provide for reimbursement to the consenting owners for any nonconsenting owner's share of the costs out of production from the drilling unit attributable to his tract.

(c) Each pooling order shall provide that each consenting owner shall own and be entitled to receive, subject to royalty or similar obligations:

(i) the share of the production of the well applicable to his interest in the drilling unit; and

(ii) unless he has agreed otherwise, his proportionate part of the nonconsenting owner's share of the production until costs are recovered as provided in Subsection (4)(d).

(d) (i) Each pooling order shall provide that each nonconsenting owner shall be entitled to receive, subject to royalty or similar obligations, the share of the production of the well applicable to his interest in the drilling unit after the consenting owners have recovered from the nonconsenting owner's share of production the following amounts less any cash contributions made by the nonconsenting owner:

(A) 100% of the nonconsenting owner's share of the cost of surface equipment beyond the wellhead connections, including stock tanks, separators, treaters, pumping equipment, and piping;

(B) 100% of the nonconsenting owner's share of the estimated cost to plug and abandon the well as

determined by the board;

(C) 100% of the nonconsenting owner's share of the cost of operation of the well commencing with first production and continuing until the consenting owners have recovered all costs; and

(D) an amount to be determined by the board but not less than 150% nor greater than 300% of the nonconsenting owner's share of the costs of staking the location, wellsite preparation, rights-of-way, rigging up, drilling, reworking, recompleting, deepening or plugging back, testing, and completing, and the cost of equipment in the well to and including the wellhead connections.

(ii) The nonconsenting owner's share of the costs specified in Subsection (4)(d)(i) is that interest which would have been chargeable to the nonconsenting owner had he initially agreed to pay his share of the costs of the well from commencement of the operation.

(iii) A reasonable interest charge may be included if the board finds it appropriate.

(e) If there is any dispute about costs, the board shall determine the proper costs.

(5) If a nonconsenting owner's tract in the drilling unit is subject to a lease or other contract for the development of oil and gas, the pooling order shall provide that the consenting owners shall pay any royalty interest or other interest in the tract not subject to the deduction of the costs of production from the production attributable to that tract.

(6) (a) If a nonconsenting owner's tract in the drilling unit is not subject to a lease or other contract for the development of oil and gas, the pooling order shall provide that the nonconsenting owner shall receive as a royalty the average landowner's royalty attributable to each tract within the drilling unit.

(b) The royalty shall be:

(i) determined prior to the commencement of drilling; and

(ii) paid from production attributable to each tract until the consenting owners have recovered the costs specified in Subsection (4)(d).

(7) The operator of a well under a pooling order in which there are nonconsenting owners shall furnish the nonconsenting owners with monthly statements specifying:

(a) costs incurred;

(b) the quantity of oil or gas produced; and

(c) the amount of oil and gas proceeds realized from the sale of the production during the preceding month.

(8) Each pooling order shall provide that when the consenting owners recover from a nonconsenting owner's relinquished interest the amounts provided for in Subsection (4)(d):

(a) the relinquished interest of the nonconsenting owner shall automatically revert to him;

(b) the nonconsenting owner shall from that time:

(i) own the same interest in the well and the production from it; and

(ii) be liable for the further costs of the operation as if he had participated in the initial drilling and operation; and

(c) costs are payable out of production unless otherwise agreed between the nonconsenting owner and the operator.

(9) Each pooling order shall provide that in any circumstance where the nonconsenting owner has relinquished his share of production to consenting owners or at any time fails to take his share of production in-kind when he is entitled to do so, the nonconsenting owner is entitled to:

(a) an accounting of the oil and gas proceeds applicable to his relinquished share of production; and

(b) payment of the oil and gas proceeds applicable to that share of production not taken in-kind, net of costs.

Amended by Chapter 324, 2010 General Session

Download Code Section Zipped WordPerfect 40_06_000605.ZIP 4,433 Bytes

March 9, 2011

Via Fax (801) 359-3940

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Board of Oil, Gas & Mining
Utah Division of Oil, Gas & Mining
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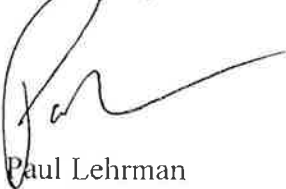
Re: Request to Participate and Give Testimony
Docket No. 2011-005 (Request by Berry Petroleum for Establishing 40 acre
Spacing etc. in certain subject lands
Cause No. 272-01
March 23, 2011
T5S-R4W, Sec. 10, Duchesne County, Utah
(Venice Mecham Lease, 335MR/621)

Gentlemen:

I am a legal owner of protected interests in the subject lands and referenced leasehold estate.

I hereby respectfully request to participate and give testimony at the referenced Docket No. 2011-005, scheduled for March 23, 2011.

Thank you,



Paul Lehrman

COPY

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF BERRY PETROLEUM COMPANY FOR AN ORDER ESTABLISHING 40 ACRE DRILLING AND SPACING UNITS FOR THE PRODUCTION OF OIL AND GAS FROM THE GREEN RIVER FORMATION IN THE SW $\frac{1}{4}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$ AND THE S $\frac{1}{2}$ SW $\frac{1}{4}$ OF SECTION 10, TOWNSHIP 5 SOUTH, RANGE 4 WEST, USM, DUCHESNE COUNTY, UTAH.

REQUEST FOR AGENCY ACTION

Docket No. 2011-005

Cause No. 272-01

BERRY PETROLEUM COMPANY ("Petitioner"), by and through its attorneys, Holme Roberts & Owen, LLP pursuant to Utah Code Ann. §§ 40-6-5(3)(b) and 40-6-6, hereby requests the Board of Oil, Gas and Mining (the "Board") to enter an order establishing 40-acre drilling and spacing units for the production of oil and gas from the Green River formation underlying the following Duchesne County, Utah lands:

Township 5 South, Range 4 East, USM

Section 10: SW $\frac{1}{4}$ SE $\frac{1}{4}$
NW $\frac{1}{4}$ SW $\frac{1}{4}$
S $\frac{1}{2}$ SW $\frac{1}{4}$

(containing 160 acres)

RECEIVED

FEB 08 2011

DIV. OF OIL, GAS & MINING

(hereinafter the "Subject Lands"). In support of its Request for Agency Action ("Request"), Petitioner respectfully states and represents:

1. Petitioner is a Delaware corporation in good standing having its principal place of business in Denver, Colorado. Petitioner is qualified to do business in Utah and is fully and appropriately bonded with all Federal and State of Utah agencies.

2. The Board has jurisdiction of the parties and of the subject matter of this Request pursuant to Utah Code Ann. § 40-6-1, *et seq.*

3. Oil and gas ownership in the Subject Lands is vested in private (fee) ownership.

4. Petitioner is the owner of a majority of the working interest in the Subject Lands and is the operator of the only well located on the captioned lands.

5. The Subject Lands currently are not subject to any spacing order of the Board.

6. Petitioner is also the operator of numerous wells located near the Subject Lands in the Brundage Canyon Area in Duchesne County, Utah. In its capacity as operator, Petitioner has drilled and operated these wells for oil and gas production from the Green River formation, defined for purposes of this Request as follows:

the stratigraphic equivalent of the geologic section from 1,151 feet to 5,859 feet measured depth in Berry Petroleum's SFW Fee 15-10-54 well located in the SW¼SE¼, Section 10, T5S-R4W, Duchesne County, Utah

7. Currently, only the SFW Fee 15-10-54 Well is producing from the Subject Lands. The Petitioner is the operator of this well which is located 663' FSL and 2060' FEL in the SW¼SE¼ of Subject Section 10 and was completed on May 19, 2010, with first production on May 26, 2010 from the Green River formation. Petitioner plans to drill additional wells on the Subject Lands within the Green River formation.

8. Geologic and engineering data obtained from the SFW Fee 15-10-54 Well, as well as other drilling and development operations in the surrounding area, suggest that one well will efficiently and economically drain approximately 40 acres of oil and gas produced from the Green River formation.

9. Petitioner believes and therefore states that the requested order will allow for the orderly development of the Subject Lands, will prevent waste, will adequately protect the correlative rights of all affected parties and is just and reasonable.

10. Petitioner is filing, concurrent with the filing of this Request, a separate certificate of mailing which lists all persons known to Petitioner whose legally protected interests in the Subject Lands will be affected by this Request, together with their last known addresses. Said list contains the names and addresses of known mineral owners (lessors), overriding royalty or other production interest owners, working interest owners (lessees) and active producers and operators. There are no respondents or adverse parties known at this time to Petitioner.

WHEREFORE, Petitioner respectfully requests that:

1. This Request be set for hearing at the scheduled meeting of the Board on March 23, 2011.

2. That due notice of such hearing be given as provided by law.

3. That following said hearing, the Board enter an order:

(a) Providing for the establishment of 40 acre drilling and spacing units for the production of oil and gas from the Green River formation covering the Subject Lands.

(b) The location of each permitted well shall be in the center of the respective quarter-quarter section, shown by the most recent governmental survey, with a tolerance of 200 feet in any direction from the center of such designated quarter-quarter section and no closer than 920 feet from any other well drilling to or capable of producing oil and gas from the Green River formation as so defined, except as may otherwise be permitted pursuant to Utah Admin Code Rule R649-3-3.

(c) Making such findings and orders in connection with this Request as it deems necessary.

(d) Providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 8th day of February, 2011.

BERRY PETROLEUM COMPANY

By Mark L. Burghardt
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**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF BERRY PETROLEUM COMPANY FOR AN ORDER ESTABLISHING 40 ACRE DRILLING AND SPACING UNITS FOR THE PRODUCTION OF OIL FROM THE GREEN RIVER FORMATION IN THE SW $\frac{1}{4}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$ AND THE S $\frac{1}{2}$ SW $\frac{1}{4}$ OF SECTION 10, TOWNSHIP 5 SOUTH, RANGE 4 WEST, USM, DUCHESNE COUNTY, UTAH.

**CERTIFICATE OF MAILING
FOR
REQUEST FOR AGENCY ACTION**

Docket No. 2011-005

Cause No. 272-01

I HEREBY CERTIFY that a true and correct copy of the foregoing REQUEST FOR AGENCY ACTION was mailed by U.S. certified mail, postage prepaid, to the following:

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Respectfully submitted this 10th day of February, 2011.

BERRY PETROLEUM COMPANY

BY 
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